



Director of
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National Intelligence Daily

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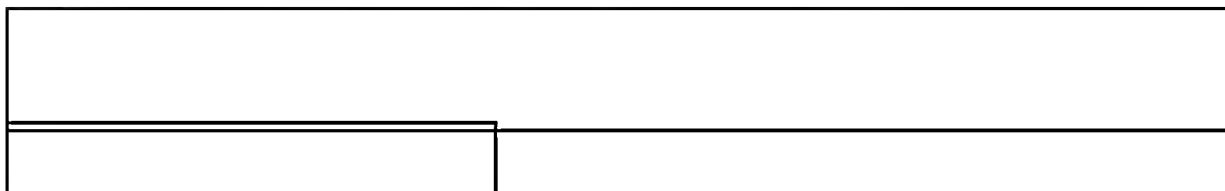
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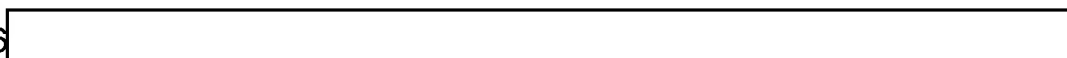
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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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SPECIAL ANALYSIS

CHINA-VIETNAM: The Post-Invasion Situation



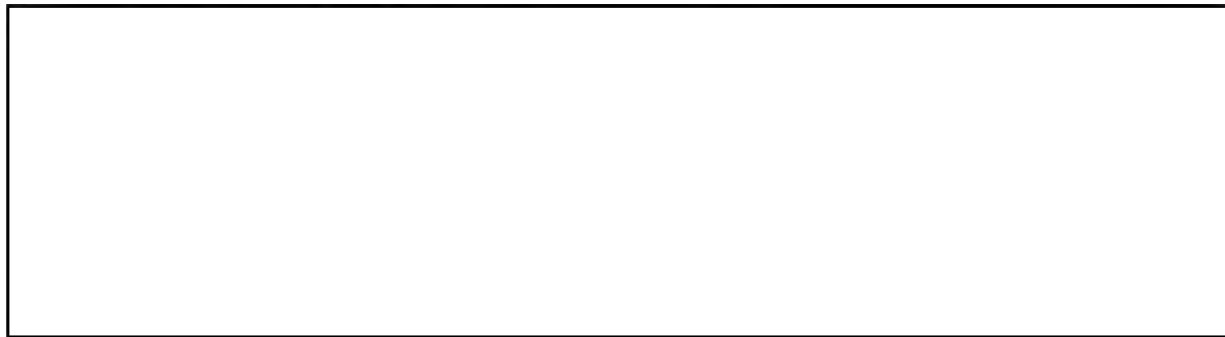
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On Wednesday Vietnam called for early negotiations with China, dropping its precondition that China first unilaterally withdraw from areas claimed by Vietnam along the "historic border." A number of factors probably account for Hanoi's sudden retreat from its hitherto inflexible and almost belligerent stand. Wary of Chinese intentions and faced with serious military problems on other fronts, Hanoi all along may have seen early negotiations as the best insurance against a renewal of large-scale conflict with China--after first attempting to demonstrate Vietnam's resolve in the face of pressure and after first publicizing Vietnam's case on the border issue. Hanoi may also have concluded that its harsh line on talks served only to reinforce the impression of Vietnamese intransigence, particularly among Vietnam's Asian neighbors, thus focusing attention on the continued Vietnamese occupation of Kampuchea.



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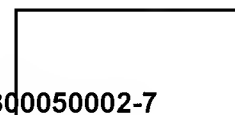
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[REDACTED]

China doubtless is considering other ways to increase pressure on Vietnam and to make its "expansionism" and its ties to the USSR as expensive as possible. The Chinese will certainly do all they can to support the anti-Vietnamese resistance in Kampuchea. Besides supplying as many arms as possible to Pol Pot's guerrillas, China will try to increase UN and other international pressures for a Vietnamese withdrawal from Kampuchea. The Chinese, however, face a continuing dilemma in their support of Pol Pot. They recognize that his oppressive policies are a major obstacle to international support for his regime, but they also realize he is an effective resistance leader. The Chinese have toyed with the idea of a new coalition to include other prominent Kampuchean leaders--notably Prince Sihanouk--but seem unable at present to secure the cooperation of either Pol Pot or Sihanouk. [REDACTED]

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Encouragement and support of anti-Vietnamese, anti-Lao Government forces in Laos is also a good possibility. It would probably be relatively easy and inexpensive for China to provide military assistance to the Lao insurgents. While such activity would clearly not threaten Vietnam's hold on Laos any time soon, it could force Vietnam to commit additional scarce resources, spread the Vietnamese a bit thinner and, by extension, add to the cost of the USSR's already high Vietnam bill. [REDACTED]

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The Chinese will welcome Hanoi's decision to negotiate, although they probably anticipate little concrete progress in the near term. While the talks publicly will focus on resolving disputes along the Sino-Vietnamese

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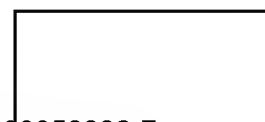
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border, the Chinese will also use them to focus attention on Vietnam's occupation of Kampuchea. The Chinese clearly do not expect to resolve quickly major problems such as Kampuchea and their territorial disputes with Hanoi, which include conflicting claims in the South China Sea. 

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Over the longer term, China hopes to erode Vietnam's position in Kampuchea and Laos and to isolate the Vietnamese internationally until they are finally forced to trim their objectives in Indochina and move away from Moscow and toward a more accommodating relationship with China. There are some fundamental weaknesses in Hanoi's position, and we cannot rule out a Vietnamese move in this direction at some point, especially in light of its present costly open-ended military commitments in Kampuchea and Laos, its great economic problems, an increasingly dependent relationship with the USSR that Hanoi finds uncomfortable, and the decline in its relations with non-Communist nations and aid donors--all vulnerabilities that the Chinese intend to exploit. For now, however, Hanoi seems determined to maintain its present course. 

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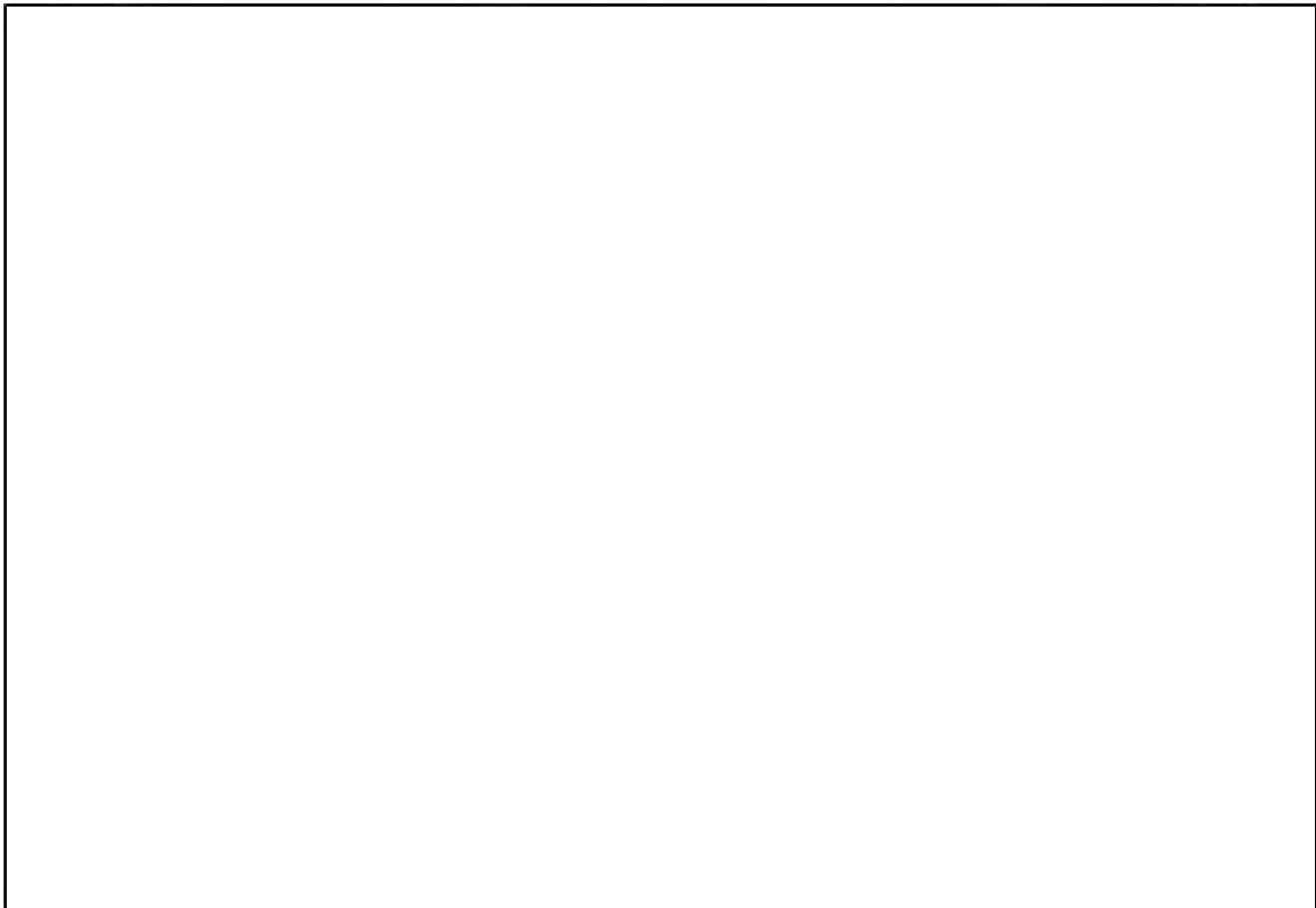


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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

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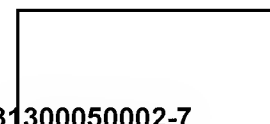
Prime Minister Suarez ended five weeks of waiting and named his new 24-man cabinet last night, according to press reports. It includes 10 new members; four members of the outgoing Suarez government were dropped. 

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COMMENT: At first blush, the cabinet appears to be a combination of ruling Union of Democratic Center Party (UCD) members and some technicians. Suarez kept General Gutierrez Mellado as First Deputy Prime Minister for defense affairs, but defused some of the military criticism surrounding him by taking the Ministry of Defense away from him. In a move designed to placate the extreme right and some military critics, Martin Villa was removed from the Interior Ministry. UCD Secretary General Arias Salgado was rewarded with the post of Minister of Relations with Parliament. 

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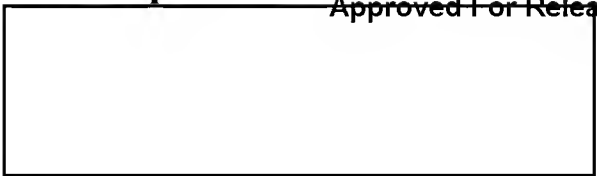


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